

State Tax Commission Bulletin No. 3 of 2000
January 12, 2000
Additional Guidelines Regarding Valuation of Personal Property

DATE: January 12, 2000

TO: Assessors, Equalization Directors

FROM: State Tax Commission (STC)

RE: Additional Guidelines Regarding the Valuation of Property Assessed on the Personal Property Assessment Roll

On November 17, 1999 the [State Tax Commission \(STC\) issued Bulletin No. 12 of 1999](#) which informed assessors about the new personal property multiplier tables.

On January 12, 2000, the [STC issued Bulletin 1 of 2000](#) which addressed the valuation of electric and pipeline transmission and distribution assets.

The purpose of this bulletin is to provide additional guidelines to assessors regarding the valuation of certain property assessed on the personal property roll. Specifically, this bulletin will address the following:

- A. **The Valuation of Pager Equipment**
- B. **The Valuation of Distributive Control Systems**
- C. **The Valuation of Cellular Telephone Equipment**
- D. **The Valuation of Freestanding Communication Towers**
- E. **The Current Version of the Following STC Forms**

[Form 2698](#) - Idle, Obsolete, and Surplus Equipment

Form 2995 - Declaration regarding a Facsimile Signature

[Form L-4143](#) and [L-4143a](#) - Statement of Qualified Personal Property

[Form 3595](#) - Daily Rental Property

[Form 3589](#) - Form for filing Cable TV and Public Utility Assets

A. The Valuation of Pager Equipment

1) The Correct Multiplier Tables to Use

Except for paging transmitter site facilities and the pager instruments that are provided to customers, the procedures used for reporting and valuing the assessable personal property owned by pager service providers are the same as those applicable to other personal property taxpayers. For example, a diesel generator used to provide emergency power to a transmitter site should be reported in Section B of form L-4175. Similarly, office furniture at a transmitter site should be reported in Section A of form L-4175.

(Important Note: the section names assigned to Sections A through F of the personal property statement correspond with the personal property multiplier table designations of the same name. For example, Section A of form L-4175 makes use of the multipliers from Table A of Bulletin 12 of 1999.)

Freestanding communications towers, including the tower itself and other site improvements such as fences, lights, basic utility connections and buildings (including normal building mechanical equipment) are considered to be real property in nature and can be valued using the procedures set forth on page 7 of this Bulletin. This is the case even in the situation where a taxpayer erecting a structure is not the tower owner. A tower owner is required to report these items on Section N of the Personal Property Statement when they are located on leased land. The reported cost for such freestanding towers and associated site improvements must include necessary expenditures for sales tax, freight and installation. Design engineering, construction supervision, site preparation, excavation, placement of foundations and administrative overhead are also part of the cost of installation. See [STC Bulletin 1 of 1999](#).

The costs of any structural framework used to attach paging signal equipment to buildings or to other structures not owned by the pager service provider are reported at Section B of form L-4175. These facilities could include small towers erected on buildings or on other structures. The reported cost of such structural equipment must include necessary expenditures for site preparation, design engineering, construction supervision and administrative overhead. See STC Bulletin 1 for guidance regarding self-constructed assets.

The costs of paging signal transmission and reception arrays, including antennas, frames, signal transmission equipment, signal reception equipment, filter and amplification electronics, power supply and distribution equipment, batteries, switching equipment and cable or wiring connections are reported at Section D of form L-4175. This type of equipment is NOT reported at Section F of form L-4175. The acquisition costs of the pagers themselves, including sales tax, freight and installation, should be reported by the taxpayer on Section F of form L-4175.

In summary, the following are the multiplier tables to be used for the valuation of the various assets of a company engaged in providing pager service:

<u>ASSET</u>	<u>TABLE</u>
1. Free standing communication towers, including fences, lights, basic utility connections, and buildings	Separate Table for communication towers contained within this Bulletin
2. Structural framework for attaching pager signal equipment	B
3. Antennas, frames, signal transmission and reception equipment, filter and amplification electronics, power supply and distribution equipment, batteries, switching equipment, cable and wiring connections	D
4. Pagers	F
5. Diesel Generators	B
6. Furniture	A

2) Where to Report Pager Instruments

Pager instruments should be reported at the place where the instruments are located on tax day, as required by Michigan Compiled Laws (M.C.L.) 211.13. The practice of reporting pagers at a location determined through the use of an allocation process, based on the location of the owner's paging tower, is not approved by the Commission. The decisions of the Michigan court system support the conclusion that equipment, such as a pager, which is mobile in nature, retains its previously established taxable situs while in motion and that a new situs is not established until the equipment has been established at a new location. It is, therefore, the determination of the Commission that it is reasonable to report a given pager instrument at the usual business location of the actual user of the instrument rather than at any of the locations where the user may happen to travel to on tax day (December 31st). The usual business location may be different from the billing address of the customer. When a rental pager instrument is not used for business purposes, the rental business should report the instrument at the township or city where the residence of the user is located.

3) Maintenance of Records

The personal property tax is a self-reported tax. For this reason, it is the responsibility of the taxpayer to maintain the necessary business records so that an accurate personal property statement can be rendered. This responsibility includes the obligation to properly record the location, acquisition cost and description of assessable personal property assets, even if such records are not necessary for other financial or tax accounting purposes.

Recently, some taxpayers have adopted group depreciation methods that do not result in recording the location, acquisition cost and description of individual assessable assets. The adoption of a group depreciation methodology for purposes of financial and/or federal income tax accounting does not relieve a taxpayer of its obligation to accurately report such personal property, by location and proper cost, to the assessment jurisdiction where the guidelines above require it to be reported. Further, the practice of some taxpayers, to report only the net book value of such grouped assets, is specifically NOT allowed for the reason that the deduction necessary to compute net book value already accounts for depreciation. In the case of pager instruments, it would be inappropriate to apply the Section F multipliers when net book value is being reported instead of original acquisition cost.

While the Commission does not approve the failure to maintain records sufficient to determine the location and cost of each pager instrument, its investigation has disclosed that some owners have not maintained such records and may not know the acquisition cost and year of acquisition of the individual instruments in each assessment jurisdiction. The Commission's analysis indicates that, in some cases, one reasonable estimate of true cash value for these instruments might be obtained by applying the Section F multipliers to the recorded original acquisition cost of the group of pager instruments provided that no deduction or allowance for depreciation is taken and each year's acquisition costs are reported without change for 3 years. This procedure will result in each grouping of pagers being valued for a period of three years after its acquisition. Any taxpayer who is not reporting based on properly maintained records showing the identity, the location and the acquisition year and cost of its pagers should report the original acquisition costs of the three most recent years' acquisition groups, without any deduction or allowance for depreciation, at Section G of form L-4175.

A. The Valuation of Distributive Control Systems.

For purposes of this Bulletin, a Distributive Control System (hereafter "DCS") is defined as a computer based system for control of an entire manufacturing process. Such a system is distinguished from Computer Numeric Control equipment or Programmable Logic Control equipment by the fact that these latter types of control devices serve to control the independent activity of **individual** machines while a DCS controls and coordinates an **entire manufacturing process**. The costs of Computer Numeric Controls and Programmable Logic Controls are reported at Section B of form L-4175 along with the machines they serve.

The components of a DCS generally include a commercially available data processing computer used to configure and manage data, a commercially available data processing computer used to operate the process and a proprietary control system used to monitor the process. The proprietary control system can be operated in alternative modes (e.g. flow sensors, thermal sensors, etc.). The proprietary control system is connected to multiple input or output devices which interface with many points of the manufacturing process to monitor, regulate, limit and control the entire process. These proprietary control systems are generally adaptable to a variety of manufacturing processes.

Commercially available data processing computers used to configure and manage data and to operate the process, which use common operating systems and are adaptable to a variety of non-manufacturing data processing applications, are reported at Section F of form L-4175, if the taxpayer can demonstrate that it has supporting original invoices establishing a separate line-item cost for those computers. A proprietary control system used to monitor input and output for the manufacturing process is reported at Section D of form L-4175, if the taxpayer can demonstrate that it has supporting original invoices establishing a separate line-item cost for this control system. If itemized invoices are not available but the entire DCS was acquired by the taxpayer under a separate invoice or as a separate construction project for accounting purposes, the entire DCS system is reported at Section D. The cost of input and output control wiring connections and the cost of controls for which a separate cost is not available are reported as part of the installation cost of the machines they serve, at Section B of form L-4175.

C) The Valuation of Cellular Telephone Equipment

Except for cellular site communication facilities, the procedures used for reporting and valuing assessable personal property owned by cellular service providers are the same as those applicable to other personal property taxpayers. For example, a diesel generator used to provide emergency power to a cellular site would be reported in Section B of form L-4175. Similarly, office furniture at a cellular site would be reported in Section A of form L-4175.

Freestanding communications towers, including the tower itself and other site improvements such as fences, lights, basic utility connections, and buildings (including normal building mechanical equipment) are considered to be real property in nature and can be valued using the procedures set forth on page 7 of this Bulletin. This is the case even in the situation where a taxpayer erecting a structure is not the tower owner. A tower owner is required to report these items at Section N of the Personal Property Statement when they are located on leased land. The reported cost for such freestanding towers and associated site improvements must include necessary expenditures for sales tax, freight and installation. Design engineering, construction supervision, site preparation, excavation, placement of foundations and administrative overhead is also part of the cost of installation. See STC Bulletin 1 of 1999.

The costs of any structural framework used to attach cellular equipment to buildings or to other structures not owned by the cellular service provider are reported at Section B of form L-4175. These facilities could include small towers erected on buildings or on other structures. The reported cost of such structural equipment must include necessary expenditures for site preparation, design engineering, construction supervision and administrative overhead. See STC Bulletin 1 of 1999 for guidance regarding self-constructed assets.

The costs of cellular signal transmission and reception arrays, including antennas, frames, signal transmission equipment, signal reception equipment, filter and amplification electronics, voice channel radios, repeaters, multiplexers, power supply and distribution equipment, batteries, switching equipment and cable or wiring connections are reported at Section D of form L-4175. This type of equipment is NOT reported at Section F of form L-4175.

In summary, the following are the multiplier tables to be used for the valuation of the various assets of a company engaged in providing cellular telephone service:

<u>ASSET</u>	<u>TABLE</u>
1. Free standing communication towers, including fences, lights, basic utility connections, and buildings	Separate Table for communication towers contained within this Bulletin.
2. Structural framework for attaching pager signal equipment	B
3. Antennas, frames, signal transmission and reception equipment, filter and amplification electronics voice activated radios, multiplexers, repeaters, power supply and distribution equipment, batteries, switching equipment, cable and wiring connections	D
4. Diesel generators	B
5. Furniture	A

D. The Valuation of Freestanding Communication Towers

In recent years, many communication towers have been built whose main purpose is the transmission and reception of the signals of cellular (wireless) telephones. When these towers are built on leased land, they are required to be reported on Section N of the personal property statements of cellular phone companies, the same as buildings on leased land.

Important Note: Sometimes communication towers are located on land which is exempt because the land is owned by an exempt entity such as a municipality or is otherwise exempt. When this occurs, the tower must be assessed to the tower owner on the personal property roll as a structure on leased land. IN ADDITION, the assessor must consider whether the land should also be assessed to the tower owner as provided by MCL 211.181.

This section of this bulletin will provide the following information regarding communication towers:

1. A Description of the 3 Types of Freestanding Towers
2. A Multiplier Table for the Valuation of Communication Towers
3. Property Statement for Communication Towers

1. **Three Types of Communication Towers**

The three basic types of communication towers are guyed, lattice or self-supporting, and monopole. There are sketches of each of these three types on the following page.

A **guyed** tower is a single-column steel structure supported by several guy wires. These towers require a relatively large land area to accommodate the guy wires. Guyed towers tend to be taller than lattice or monopole towers.

A **lattice (or self-supported)** tower is a multiple-column structure which is reinforced by crossbeams. A lattice tower is frequently less than 250 feet tall.

A **monopole** is a single-pole tower which is usually shorter than guyed or lattice towers. Monopoles occupy less space than the other towers and are frequently well suited for large metropolitan areas.

Towers tend to be custom designed because of the conditions specific to each tower site. Some of the variables which affect the design and the cost of towers are the following: height of the tower, soil type, number of antennas and transmission lines to be carried, wind load and ice load.

2. **Multiplier Table for the Valuation of Communication Towers**

Included below is a multiplier table whose purpose is to convert the original construction costs of communication towers into true cash value estimates for property tax assessment purposes. This table may also be used to appraise the fences, lights, buildings, and basic utility connections found at communication tower sites.

The assessor can select the appropriate multiplier from the table and multiply the reported historic original cost by the multiplier. The product of this multiplication is an estimate of true cash value.

The multiplier table can be used regardless of whether the tower is assessed on the personal property roll or on the real property roll.

Important Note: Freestanding communication tower and other site improvements such as fences, lights, basic utility connections and buildings (including normal building mechanical equipment) are considered to be real property in nature.

However, when they are located on leased or public land, they are required to be reported on Section N of the Personal Property Statement (STC Form L-4175) and assessed on the Personal Property Roll. The assessor must exercise great caution to avoid DOUBLE TAXATION of these assets. This could happen if they are mistakenly assessed on both the real and personal property assessment rolls.

Multipliers for Free Standing Communication Towers

<u>Age</u>	<u>Multiplier</u>	<u>Age</u>	<u>Multiplier</u>
1	.97	21	1.10
2	.96	22	1.15
3	.96	23	1.15
4	.96	24	1.28
5	.95	25	1.37
6	.95	26	1.42
7	.95	27	1.47
8	.94	28	1.60
9	.91	29	1.71
10	.90	30	1.72
11	.89	31	1.73
12	.89	32	1.74
13	.88	33	1.75
14	.87	34	1.76
15	.87	35	1.78
16	.87	36	1.80
17	.89	37	1.80
18	.94	38	1.80
19	.97	39	1.84
20	1.06	40	1.87

The directive to use these mutlipliers replaces the directive contained on page 15-10 of Volume III of the Assessor's Manual which states that cellular phone system towers shall be assessed as personal property.

Important Note: There may be situations in which the value of a particular communication tower is more or less than the figure developed by using this table. This could be due to unusual depreciation or an unusual enhancement in value caused by supply and demand factors in a particular area.

Important Note: Please see pages 4,5, and 6 of STC Bulletin No. 1 of 2000 regarding the calculation of Capped Value and Taxable Value for personal property.

1. **Property Statement For Communication Towers (STC Form 3594)**

Attached to this bulletin is a copy of STC Form 3594. This form was developed for the specific purpose of gathering construction cost information for communication towers. The assessor may use this form to gather detailed information regarding the construction costs of communication towers. This cost information can then be used as a basis for valuation by multiplying the historic cost by the appropriate multiplier from the table located in paragraph 2 above.

Important Note: If a communication tower is located on leased land, the owner should already be reporting its original acquisition costs on Section N of the personal property statement (STC Form L-4175). If so, the assessor would only need to send STC Form 3594 if more detailed information regarding costs is needed. The assessor IS NOT REQUIRED TO SEND STC Form 3594 to tower owners each year.

E. **Current Version of Certain STC Forms**

Attached to this bulletin are the current version of the following forms:

[Form 2698](#) - Idle, Obsolete, and Surplus Equipment

Form 2995 - Declaration regarding a Facsimile Signature

[Form L-4143](#) and [L-4143a](#) - Statement of Qualified Personal Property

[Form 3595](#) - Daily Rental Property

[Form 3589](#) - Form for filing Cable TV and Public Utility Assets